

Message Text

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61

ACTION XMB-07

INFO OCT-01 ARA-16 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 INT-08 SCEM-02 RSR-01 /101 W

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R 031609Z AUG 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 8214

INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: ETRD, EC

SUBJECT: EXIMBANK FINANCING OF CEPE PETROLEUM REFINERY

REF: STATE 144200; QUITO 3912

1. CEPE OFFICIALS CARLOS JARAMILLO, LUIS SALAZAR AND MARCELO HERDOIZA VISITED EMBASSY AUGUST 1 TO SEEK ADDITIONAL INFORMATION REGARDING TERMS OF EXIMBANK PC. AT SAME TIME THEY SHOWED EMBOFF LONG TELEX JUST RECEIVED FROM EXIMBANK EXPRESSING INTEREST IN PROVIDING PC TO CEPE.

2. EMBOFF TRANSLATED TELEX TO ENSURE THAT OFFICIALS WELL UNDERSTOOD CONTENTS, AND USED COOP FINANCING FACILITY PROGRAM INFORMATION PACKET TO GOOD ADVANTAGE IN BRIEFING OFFICIALS. AMONG QUESTIONS ASKED BY CEPE WERE, A) WHAT WAS THE ACTUAL ADVANTAGE TO CEPE OF HAVING AN EXIMBANK COMMITMENT, B) WHAT MIGHT BE THE TERMS OF THE LOAN, AND C) WHAT WAS NEXT STEP IN PROCESS OF SEEKING A COMMITMENT.

3. CEPE WAS MOST CONCERNED WITH POSSIBILITY THAT, IF CEPE RECEIVED PC AND DECIDED TO UTILIZE EXIMBANK LINE OF CREDIT FOR REFINERY, CREDIT MIGHT NOT BE AVAILABLE BY JANUARY 1974 DEADLINE FOR INITIATION OF CONSTRUCTION WORK (CONSTRUCTION IS SCHEDULED FOR COMPLETION BY JANUARY 1976). ALSO OF CONCERN WAS FINANCING OF LOCAL
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COSTS, LENGTH OF REPAYMENT PERIOD, (CEPE APPARENTLY IS THINKING IN

TERMS OF 10-15 YEARS) AND REQUIRED PAYMENT OF COMMITMENT FEE OF ONE-HALF OF ONE PERCENT PER ANNUM INTEREST ON UNDISBURSED PORTION OF THE CREDIT. EMBOFF REPLIED THAT EXIMBANK CONSIDERATION OF CEPE APPLICATION SHOULD NOT BE UNDULY LONG PROCESS, BUT THAT EMBASSY WAS IN NO POSITION TO COMMENT ON TERMS OFFERED BY EXIMBANK. TERMS WOULD DEPEND ON INFORMATION PROVIDED BY CEPE IN APPLICATION. (COMMENT: SALAZAR MENTIONED INTEREST OF 4 PERCENT OVER 12-15 YEARS. HE WAS TOLD THAT SUCH A REQUEST MOST LIKELY WOULD BE CONSIDERED UNREASONABLE AND NEGOTIATION OF INTEREST RATE WOULD ONLY DELAY FINAL DECISION.)

4. JARAMILLO COMMENTED THAT CEPE PLANNED, AS NEXT STEP, TO SEND LETTER TO EXIMBANK REQUESTING TERMS OF PC, BUT THAT THIS WOULD NOT BE FORMAL APPLICATION SINCE CEPE AT THIS TIME DID NOT WISH TO COMMIT ITSELF. EMBOFF EXPLAINED THAT LETTER OF APPLICATION WAS NOT BINDING; MOREOVER, INTERIM LETTER MIGHT ONLY DELAY RECEIPT OF PC AND THIS WOULD BE TO CEPE'S DISADVANTAGE. CEPE OFFICIALS FINALLY DECIDED AMONG THEMSELVES TO MAKE FORMAL APPLICATION DIRECTLY TO EXIMBANK BY MEANS OF TELEGRAM.

5. COMMENT: CEPE OFFICIALS OBVIOUSLY HAVE NOT OBTAINED AUTHORIZATION OF BOARD OF DIRECTORS TO SEEK AND ACCEPT PC AND FEARED OVERSTEPPING THEIR AUTHORITY. THEY BELIEVED AT FIRST THAT PC WOULD BE MADE TO "ECUADOREAN GOVERNMENT" RATHER THEN DIRECTLY TO CEPE. ALSO OBVIOUS WAS FACT THAT OFFICIALS POSSESS LITTLE IF ANY KNOWLEDGE OF EXIMBANK PROCEDURES AND USUAL TERMS. EMBASSY RECOMMENDS THAT ANY PC PROVIDED IN ENGLISH LANGUAGE ALSO BE ACCOMPANIED BY SPANISH TRANSLATION.

6. IN REGARD TO ISSUE OF PCS TO JAPANESE FIRMS MARUBENI AND SUMITOMO CHIYODA, EMBASSY SUGGESTS THAT THIS MIGHT BE A MISTAKE IF PCS ARE EXPECTED TO ENHANCE CHANCES OF THESE FIRMS OBTAINING CONTRACT TO THE DETRIMENT OF MCKEE CTIP. EMBASSY AND USG AGENCIES HAVE COMMITTED THEMSELVES TO ASSISTING MCKEE, AND FIRM WOULD UNDOUBTEDLY CONSIDER ITSELF BETRAYED IF EQUAL CONSIDERATION WERE GIVEN TO COMPETITORS. MOREOVER, AND MOST IMPORTANT, EMBASSY HAS REASON TO BELIEVE THAT MCKEE HAS AN EDGE OVER COMPETITORS. MCKEE REPRESENTATIVE LEROUX INFORMED US THAT MILITARY CHIEFS ARE CONSIDERING CHANGE OF CONTRACT TERMS TO COST-PLUS, FOR WHICH MCKEE HAD BEEN CAMPAIGNING. AS WE SEE IT, TWO LEADING CONTENDERS ARE MCKEE AND MARUBENI/JAPAN LIMITED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, PETROLEUM REFINING
Control Number: n/a
Copy: SINGLE
Draft Date: 03 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973QUITO04043
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730859/aaaabrww.tel
Line Count: 109
Locator: TEXT ON-LINE
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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30 JUN 2005

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